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SUBJ: NORWEGIAN UNIONS ACCEPT REDUCED COST-OF-LIVING INCREASES IN EXCHANGE FOR GOVERNMENT ANTI-INFLATION PACKAGE AND EMPLOYERS' PLEDGE TOAVOID LAYOFFS

REFS:(A) OSLO A-3, (B) OSLO 3905

SUMMARY. ON SEPEMBER 10, THE NORWEGIAN GOVERNMENT,
TRADE UNION FEDERATION (LA), EMPLOYER ASSOCIATION (NAF),
AND ORGANIZATIONS REPRESENTING FARMERS, FISHERMEN AND
GOVERNMENT EMPLOYEES OUTSIDE LO, REACHED AGREEMENT
ON A PACKAGE COMBINING A MINIMAL COST-OF-LIVING ADJUSTMENT
OF WAGES AND SALARIES WITH GOVERNMENT MEASURES TO GUARANTEE
INCREASED REAL INCOME. THE ADJUSTMENT AVERAGED ONLY 30 PERCENT
COMPENSATION FOR THE EXPECTED 10 PERCENT RISE IN THE COST OF
LIVING FROM NOVEMBER 15, 1974, THROUGH SEPTEMBER 15, 1975.
A VARIETY OF GOVERNMENT MEASURES WERE AGREED ON TO
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PROVIDE THE EQUIVALENT OF AN ADDITIONAL 50 PERCENT

COMPENSATION. THE NEGOTIATINS DIRECTLY AFFECTED ABOUT 700,000 WORKERS, THE VASE MAJORITY OF THOSE EMPLOYED IN NORWAY. THE GOVERNMENT MEASURES WOULD, IT WAS ANNOUNCED, MAKE PRICES INCREASE BY 2 PERCENT LESS THAN THEY MIGHT OTHERWISE DURING THE MONTHS REMAINING BEFORE THE PRESENT TWO YEARS WAGE AND SALARY AGREEMENTS (REF A) EXPIRE NEXT SPRING AND THEY WOULD GUARANTEE AN AVERAGE INCREASE IN WORKERS' REAL INCOMES OF 2.5-3 PERCENT FROM 1975 TO 1976. THE AGREEMENT WAS CONCLUDED JUST IN TIME TO HAVE A POSSIBLE IMPACT ON THE MUN-ICIPAL AND PROVINCIAL ELECTIONS SEPTEMBER 15 (REF B) AND FOR MANY OF ITS PROVISIONS TO BE INCORPORATED IN THE BUDGET TO BE PRESENTED TO THE STORTING (PARLIAMENT) AFTER IT OPENS IN OCTOBER. THE GOVERNMENT MEASURESS, INCLUDING A PRICE FREEZE, TAX REDUCTIONS, SUBSIDIES AND PENSION AND CHILD ALLOWANCE INCREASES, ARE INTENDED TO GUARANTEE CONTINUED INCREASES IN REAL INCOME FOR AVERAGE WAGE AND SALARY EARNERS, AS WELL AS FOR FARMERS, FISHERMEN AND PENSIONERS. THEY ARE ALSO INTENDED TO REDUCE INVLATION. END SUMMARY.

1. LO AND NAF AGREED TO A FLAT NKR. 0.80 (ABOUT FOURTEEN ADD A HALF CENTS) AN HOUR ACCROSS-THE-BOARD INCREASE FOR ALL EMPLOYEES OF NAF MEMBERS, EQUIVALENT TO A 3 PERCENT INCREASE FOR AN AVERAGE WAGE OR SALARY, TO TAKE EFFECT WHEN THE SEPTEMBER 15 COST-OF-LIVING INDEX IS RELEASED ON OR ABOUT OCTOBER 10. THE GOVERNMENT AND ORGANIZATION REPRESENTING ALL GOVERN-MENT EMPLOYEES AGREED TO EXACTLY THE SAME ACCROSS-THE-BARD INCREASE, BUT SPELLED OUT ON AN ANNUAL BASIS AS NKR. 1,600 (ABOUT \$291), ALTHOUGH THE TEACHERS ASSOCIATION AND OTHER NON-LO ORGANIZATIONS REPRESENTING HIGHER SALARIED EMPLOYEES ACCEPTED ITS ACCROSS-THE-BOARD NATURE ONLY UNDER PROTEST. LO AND NAF AGREED THAT THE SMALL SIZE OF THE INCREASE WOULD HELP COMPANIES AVOID LAYOFFS. NAF SENT OUT A DIRECTIVE TO MEMBER FIRMS TO AVOID LAYOFFS EXCEPT IN DIRE ECONOMIC EMERGENCIES AND LO ANNOUNCED THAT IT WILL CONSIDER FIRMS OBLIGATED TO AVOID LAYOFFS.

2. THE REAL INCOME EQUIVALENT OF ANOTHER 5 PERCENT UNCLASSIFIED

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WAGE AND SALARY INCREASE IS TO COME FROM SEVERAL GOVERNMENT MEASURES COSTING ABOUT ABILLION KRONER (ABOUT \$180 MILLION). ONE IS A REDUCTION OF TAXES BY ONE PERCENT OF GROSS WAGES FROM NOVEMBER THROUGH APRIL. ANOTHER IS A ROUGHLY 13 PERCENT INCREASE IN CHILD ALLOWANCES (GRANTS WHICH PLAY SOMEWHAT THE SAME ROLE AS TAX EXEMPTIONS IN THE US), BY NKR. 50 (ABOUT \$9) FOR THE FIRST CHILD, NKR. 174 (ABOU

\$31.50) FOR THE SECOND, NKR. 444 (ABOU \$80) FOR THE THIRD, NKR. 500 (ABOUT \$90) FOR THE FOURTH AND NKR. 568 (ABOUT \$103) FOR EACH ADDITIONAL CHILD. THE THIRD MEASURE IS A ONE TIME PENSION SUPPLEMENT OF NKR. 400 (ABOUT \$72.50) FOR SINGLE PERSONS AND TWICE THAT AMOUNT FOR COUPLES, WITH A PROMISE OF INCREASES IN THE BASE PENSION IN THE FALL BUDGET. FOURTH AND FIFTH ARE NKR. 135 MILLION (ABOUT \$22 MILLION) IN AGRICULTURAL SUBSIDIES AND A PRICE FREEZE FOR THE REST OF THE YEAR EFFECTIVE RETROACTIVELY TO SEPTEMBER 1. THE AGRICULTURAL SUBSIDIES ARE ALSO DESIGNED TO INCREASE FARMERS' INCOMES BY ABOUT THE SAME 3 PERCENT, BY PAYING FARMERS MORE FOR MILK, CHEESE, BACON AND EGGS, WITHOUT ANY CONSUMER PRICE RISE.

3. EARLY IN AUGUST, THE GOVERNMENT ANNOUNCED A TWO BILLION KRONER (ABOUT \$360 MILLION) EMERGENCY CONTINGENCY PROGRAM AGAINST UNEMPLOYMENT. THIS SUPPLEMENTED NORMAL SEASONAL JOB CREATION MEASURES (REF A) WITH A NKR. 150 MILLION (ABOUT \$27 MILLION) INCREASE IN THE NKR. 100 MILLION FUND ESTABLISHED EARLIER IN THE YEAR FOR LIOUIDITY LOANS TO ENABLE COMPANIES IN DIFFICULTY TO AVOID LAYOFFS, NKR. 50 MILLION (ABOUT \$9 MILLION) TO SUSIDIZE INTEREST ON LOANS TO ENABLE INDUSTRY TO KEEP XYODUCING FOR INVENTORY RATHER THAN SHUT DOWN, NKR. 682 MILLION (ABOUT \$125 MILLION) FOR INCREASED LENDING CAPACITY IN STATE BANKS AND THE DISTRICT DEVELOP-MENT FUND AND, FINALLY, NKR. 300 MILLION ABOUT \$54 MILLION) FOR MUNICIPAL AND PROVINCIAL PUBLIC WORKS WHICH WOULD OTHERWISE HAVE BEEN UNDERTAKEN LATER, BUT WILL NOT CREATE 20,000 ADDITIONAL JOBS THIS WINTER. THIS PACKAGE HELPED CONTRIBUTE TO LO AND WORKER WILLING-NESS TO ACCEPT THE COST-OF-LIVING PACKAGE AND EMPLOYER UNCLASSIFIED

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ABILITY TO MADE THE COMMITMENT TO AVOID LAYOFFS.

4.THE GOVERNMENT ANNOUNCED THAT IT WAS AIMING AT AN AVERAGE REAL INCOME INCREASE FROM 1975 TO 1976 OF ABOUT 2 AND ONE HALF TO 3 PERCENT FOR WORKING PEOPLE AND 4 PERCENT FOR PENSIONERS. IT HAD PROMISED THREE AND ONE HALF TO 4 PERCENT IN 1974 AND 4-5 PERCENT IN 1975 AND SURPASSED BOTH OF THESE PROMISES. AVERAGE REAL INCOME INCREASES FOR PRIVATE SECTOR EMPLOYEESS ARE ESTIMATED AT ABOUT 5 PERCENT IN 1974 AND HAV BEEN PROJECTED AT ABOUT 6.3 PERCENT IN 1975. THE PRESENT PACKAGE MAY SLOW DOWN THE INCREASE TO A SLIGHTLY LOWER RATE IN 1975 WHILE ENSURING CONTINUATION OF THE INCREASE INTO 1976. IF EVERYONE IS PLEASED WITH THE OUTCOME, IT WILL BE EASIER FOR THE GOVERNMENT TO PROPOSE A SIMILAR INCOMES, PRICE,

TAX, AND SUBSIDY PACKAGE WHEN PRESENT WAGE, SALARY AND
AGRICULTURAL AGREEMENTS EXPIRE IN 1976.
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